NEWMARKET CORP
Form 10-Q
April 29, 2013

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2013
OR

¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to
Commission File Number 1-32190

NEWMARKET CORPORATION
(Exact name of registrant as specified in its charter)

VIRGINIA (State or other jurisdiction of incorporation or organization)	20-0812170 (I.R.S. Employer Identification No.)
330 SOUTH FOURTH STREET RICHMOND, VIRGINIA	23219-4350
(Address of principal executive offices)	(Zip Code)

Registrant’s telephone number, including area code - (804) 788-5000

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports); and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer,” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer x	Accelerated filer ¨
Non-accelerated filer ¨	Smaller reporting company ¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x

Number of shares of common stock, without par value, outstanding as of March 31, 2013: 13,327,077

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NEWMARKET CORPORATION

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PART I. FINANCIAL INFORMATION
ITEM 1. Financial Statements

NEWMARKET CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

(in thousands, except per-share amounts)	Three Months Ended March 31,	
	2013	2012
Revenue:		
Net sales - product	$559,750	$559,821
Rental revenue	2,858	2,858
	562,608	562,679
Costs:		
Cost of goods sold - product	391,343	392,075
Cost of rental	1,068	1,068
	392,411	393,143
Gross profit	170,197	169,536
Selling, general, and administrative expenses	40,941	36,908
Research, development, and testing expenses	31,021	27,895
Operating profit	98,235	104,733
Interest and financing expenses, net	5,109	4,482
Loss on early extinguishment of debt	0	3,221
Other income, net	747	1,773
Income before income tax expense	93,873	98,803
Income tax expense	26,038	32,256
Net income	$67,835	$66,547
Earnings per share - basic and diluted	$5.07	$4.96
Cash dividends declared per common share	$0.90	$0.75

See accompanying Notes to Consolidated Financial Statements

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NEWMARKET CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

(in thousands)	Three Months Ended March 31, 2013	2012
Net income	$67,835	$66,547
Other comprehensive (loss) income:		
Pension plans and other postretirement benefits:		
Amortization of prior service cost included in net periodic benefit cost, net of income tax expense of $2 in 2013 and $10 in 2012	2	5
Amortization of actuarial net loss included in net periodic benefit cost, net of income tax expense of $794 in 2013 and $545 in 2012	1,363	1,031
Amortization of transition obligation included in net periodic benefit cost, net of income tax expense of $3 in 2013 and 2012	10	10
Total pension plans and other postretirement benefits	1,375	1,046
Derivative instruments:		
Unrealized loss on derivative instruments, net of income tax benefit of $89 in 2012	0	(139)
Reclassification adjustments for losses on derivative instruments included in net income, net of income tax expense of $135 in 2013 and $155 in 2012	213	244
Total derivative instruments	213	105
Foreign currency translation adjustments, net of income tax (benefit) expense of ($674) in 2013 and $472 in 2012	(18,280)	6,669
Unrealized gain on marketable securities, net of income tax expense of $164 in 2012	0	265
Other comprehensive (loss) income	(16,692)	8,085
Comprehensive income	$51,143	$74,632

See accompanying Notes to Consolidated Financial Statements

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NEWMARKET CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Unaudited)

(in thousands, except share amounts)	March 31, 2013	December 31, 2012
ASSETS		
Current assets:		
Cash and cash equivalents	$64,013	$89,129
Trade and other accounts receivable, less allowance for doubtful accounts ($502 in 2013 and $319 in 2012)	331,155	297,055
Inventories:		
Finished goods and work-in-process	260,682	265,017
Raw materials	51,970	48,881
Stores, supplies, and other	8,687	8,776
	321,339	322,674
Deferred income taxes	7,451	8,452
Prepaid expenses and other current assets	34,256	18,185
Total current assets	758,214	735,495
Property, plant, and equipment, at cost	1,078,658	1,070,967
Less accumulated depreciation and amortization	718,064	712,596
Net property, plant, and equipment	360,594	358,371
Prepaid pension cost	12,800	12,710
Deferred income taxes	53,960	55,123
Other assets and deferred charges	67,443	72,007
Intangibles (net of amortization) and goodwill	28,378	30,542
Total assets	$1,281,389	$1,264,248
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$115,675	$119,298
Accrued expenses	65,549	79,061
Dividends payable	10,282	0
Book overdraft	5,149	3,906
Long-term debt, current portion	5,193	4,382
Income taxes payable	25,294	10,024
Total current liabilities	227,142	216,671
Long-term debt	425,422	424,407
Other noncurrent liabilities	210,256	220,965
Total liabilities	862,820	862,043
Commitments and contingencies (Note 8)		
Shareholders' equity:		
Common stock and paid-in capital (without par value; authorized shares - 80,000,000; issued and outstanding shares - 13,327,077 at March 31, 2013 and 13,417,877 at December 31, 2012)	0	721
Accumulated other comprehensive loss	(127,381)	(110,689)
Retained earnings	545,950	512,173
	418,569	402,205
Total liabilities and shareholders' equity	$1,281,389	$1,264,248

See accompanying Notes to Consolidated Financial Statements

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NEWMARKET CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(Unaudited)

(in thousands, except share and per-share amounts)	Common Stock and Paid-in Capital		Accumulated Other Comprehensive Loss	Retained Earnings	Total Shareholders' Equity
	Shares	Amount			
Balance at December 31, 2011	13,404,831	$64	$ (98,732)	$648,261	$549,593
Net income				239,593	239,593
Other comprehensive loss			(11,957)		(11,957)
Ordinary cash dividends ($3.00 per share)				(40,234)	(40,234)
Special cash dividend ($25.00 per share)				(335,447)	(335,447)
Stock-based compensation	13,046	657			657
Balance at December 31, 2012	13,417,877	721	(110,689)	512,173	402,205
Net income				67,835	67,835
Other comprehensive loss			(16,692)		(16,692)
Ordinary cash dividends ($0.90 per share)				(11,998)	(11,998)
Repurchases of common stock	(90,800)	(969)		(22,060)	(23,029)
Stock-based compensation		248			248
Balance at March 31, 2013	13,327,077	$0	$ (127,381)	$545,950	$418,569

See accompanying Notes to Consolidated Financial Statements

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NEWMARKET CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

(in thousands)	Three Months Ended March 31, 2013	2012
Cash and cash equivalents at beginning of year	$89,129	$50,370
Cash flows from operating activities:		
Net income	67,835	66,547
Adjustments to reconcile net income to cash flows from operating activities:		
Depreciation and amortization	11,796	10,482
Noncash environmental remediation and dismantling	281	251
Noncash pension benefits expense	4,569	3,792
Noncash postretirement benefits expense	877	993
Noncash foreign exchange (gain) loss	(86)	1,215
Deferred income tax expense	1,742	3,077
Loss on early extinguishment of debt	0	3,221
Restricted stock award	244	0
Unrealized gain on derivative instruments, net	(3,212)	(4,208)
Working capital changes	(55,707)	(22,877)
Realized loss on derivative instruments, net	2,535	2,474
Cash pension benefits contributions	(7,573)	(7,355)
Cash postretirement benefits contributions	(458)	(628)
Change in book overdraft	1,243	6,032
Other, net	3,042	74
Cash provided from (used in) operating activities	27,128	63,090
Cash flows from investing activities:		
Capital expenditures	(16,109)	(7,432)
Deposits for interest rate swap	(2,982)	(5,079)
Return of deposits for interest rate swap	6,850	8,340
Payments on settlement of interest rate swap	(2,617)	(2,574)
Receipts from settlement of interest rate swap	82	100
Cash provided from (used in) investing activities	(14,776)	(6,645)
Cash flows from financing activities:		
Net borrowings (repayments) under revolving credit facility	1,000	(22,000)
Repayment of Foundry Park I mortgage loan	0	(715)
Net borrowings (repayments) under lines of credit	811	(223)
Dividends paid	(11,998)	(10,054)
Debt issuance costs	(1,115)	(2,351)
Repurchases of common stock	(22,508)	0
Cash provided from (used in) financing activities	(33,810)	(35,343)
Effect of foreign exchange on cash and cash equivalents	(3,658)	1,274
(Decrease) increase in cash and cash equivalents	(25,116)	22,376
Cash and cash equivalents at end of period	$64,013	$72,746

See accompanying Notes to Consolidated Financial Statements

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NEWMARKET CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Financial Statement Presentation

In the opinion of management, the accompanying consolidated financial statements of NewMarket Corporation and its subsidiaries contain all necessary adjustments for the fair statement of, in all material respects, our consolidated financial position as of March 31, 2013 and December 31, 2012, the change in our shareholders' equity for the three months ended March 31, 2013 and the year ended December 31, 2012, our consolidated results of operation, comprehensive income, and cash flows for the three months ended March 31, 2013 and March 31, 2012. All adjustments are of a normal, recurring nature, unless otherwise disclosed. These financial statements should be read in conjunction with the consolidated financial statements and related notes included in the NewMarket Corporation Annual Report on Form 10-K for the year ended December 31, 2012 (2012 Annual Report), as filed with the Securities and Exchange Commission (SEC). The results of operation for the three month period ended March 31, 2013 are not necessarily indicative of the results to be expected for the full year ending December 31, 2013. The December 31, 2012 consolidated balance sheet data was derived from audited financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States of America.

Unless the context otherwise indicates, all references to "we," "us," "our," the "Company," and "NewMarket" are to NewMark Corporation and its consolidated subsidiaries.

At both March 31, 2013 and December 31, 2012, we had a book overdraft for some of our disbursement cash accounts. A book overdraft represents disbursements that have not cleared the bank accounts at the end of the reporting period. There are no agreements with the same banks to offset the presented balance. We transfer cash on an as-needed basis to fund these items as they clear the bank in subsequent periods.

Certain reclassifications have been made to the accompanying consolidated financial statements to conform to the current presentation.

Cash dividends for the three months ended March 31, 2013 and March 31, 2012 were declared and paid as shown in the table below.

Year	Date Declared	Date Paid	Per Share Amount
2013	February 28, 2013	April 1, 2013	$0.90
2012	February 23, 2012	April 2, 2012	0.75

2. Asset Retirement Obligations

Our asset retirement obligations are related primarily to past tetraethyl lead (TEL) operations. The following table illustrates the activity associated with our asset retirement obligations for the three months ended March 31, 2013 and March 31, 2012.

(in thousands)	2013	2012
Asset retirement obligations, January 1	$2,800	$3,297
Accretion expense	30	43
Liabilities settled	(297)	(128)
Changes in expected cash flows and timing	185	98
Asset retirement obligations, March 31	$2,718	$3,310

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3. Segment Information

The tables below show our consolidated segment results. The “All other” category includes the operations of the TEL business, as well as certain contract manufacturing performed by Ethyl Corporation (Ethyl).

Consolidated Revenue by Segment

	Three Months Ended March 31,	
(in thousands)	2013	2012
Petroleum additives		
Lubricant additives	$452,672	$444,545
Fuel additives	105,728	113,147
Total	558,400	557,692
Real estate development	2,858	2,858
All other	1,350	2,129
Consolidated revenue	$562,608	$562,679

Segment Operating Profit

	Three Months Ended March 31,	
(in thousands)	2013	2012
Petroleum additives	$102,028	$107,154
Real estate development	1,790	1,789
All other	(401)	519
Segment operating profit	103,417	109,462
Corporate, general, and administrative expenses	(5,216)	(5,505)
Interest and financing expenses, net	(5,109)	(4,482)
Gain on interest rate swap agreement (a)	678	1,735
Loss on early extinguishment of debt (b)	0	(3,221)
Other income, net	103	814
Income before income tax expense	$93,873	$98,803

(a) The gain on interest rate swap agreement represents the change, since the beginning of the reporting period, in the fair value of an interest rate swap which we entered into on June 25, 2009. We are not using hedge accounting to record the interest rate swap, and accordingly, any change in the fair value is immediately recognized in earnings.

(b) In March 2012, we entered into a $650 million five-year unsecured revolving credit facility which replaced our previous $300 million unsecured revolving credit facility. During 2012, we used a portion of the $650 million revolving credit facility to fund the early redemption of all of our then outstanding 7.125% senior notes (7.125% senior notes), as well as to repay the outstanding principal amount on the Foundry Park I mortgage loan. As a result, during the three months ended March 31, 2012, we recognized a loss on early extinguishment of debt of $3.2 million from accelerated amortization of financing fees associated with the prior revolving credit facility and costs associated with redeeming the 7.125% senior notes prior to maturity.

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Segment Depreciation and Amortization

(in thousands)	Three Months Ended March 31, 2013	2012
Petroleum additives	$9,829	$8,797
Real estate development	1,295	946
All other and corporate	672	739
Total depreciation and amortization	$11,796	$10,482

4. Pension Plans and Other Postretirement Benefits

The table below shows cash contributions made during the three months ended March 31, 2013, as well as expected remaining cash contributions for the year ending December 31, 2013 for both our domestic and foreign pension plans and postretirement benefit plans.

(in thousands)	Actual Cash Contributions for Three Months Ended March 31, 2013	Expected Remaining Cash Contributions for Year Ending December 31, 2013
Domestic plans		
Pension benefits	$5,635	$16,915
Postretirement benefits	409	1,228
Foreign plans		
Pension benefits	1,938	4,930
Postretirement benefits	49	147

The tables below present information on net periodic benefit cost for our pension and postretirement benefit plans.

	Domestic Pension Benefits		Postretirement Benefits	
	Three Months Ended March 31,			
(in thousands)	2013	2012	2013	2012
Service cost	$2,663	$2,157	$499	$522
Interest cost	2,384	2,359	682	787
Expected return on plan assets	(3,617)	(3,301)	(364)	(373)
Amortization of prior service cost	4	53	2	2
Amortization of actuarial net loss	1,801	1,292	0	0
Net periodic benefit cost	$3,235	$2,560	$819	$938

	Foreign Pension Benefits		Postretirement Benefits	
	Three Months Ended March 31,			
(in thousands)	2013	2012	2013	2012
Service cost	$1,354	$1,167	$8	$7
Interest cost	1,357	1,333	27	27
Expected return on plan assets	(1,729)	(1,506)	0	0
Amortization of prior service credit	(2)	(38)	0	0
Amortization of transition obligation	0	0	13	13
Amortization of actuarial net loss	354	276	10	8
Net periodic benefit cost	$1,334	$1,232	$58	$55

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5. Earnings Per Share

Options and stock-based compensation awards are not included in the computation of diluted earnings per share if the impact on earnings per share would be anti-dilutive. We had 11,940 shares of nonvested restricted stock that were excluded from the calculation of diluted earnings per share for the three months ended March 31, 2013. We had no anti-dilutive options or stock-based compensation awards that were excluded from the calculation of diluted earnings per share for the three months ended March 31, 2012.

The nonvested restricted stock is considered a participating security since the stock contains nonforfeitable rights to dividends. As such, we use the two-class method to compute basic and diluted earnings per share. The following table illustrates the earnings allocation method utilized in the calculation of basic and diluted earnings per share.

	Three Months Ended March 31,	
(in thousands, except per-share amounts)	2013	2012
Earnings per share numerator:		
Net income attributable to common shareholders before allocation of earnings to participating securities	$67,835	$66,547
Earnings allocated to participating securities	61	0
Net income attributable to common shareholders after allocation of earnings to participating securities	$67,774	$66,547
Earnings per share denominator:		
Weighted-average number of shares of common stock outstanding - basic and diluted	13,376	13,405
Earnings per share - basic and diluted	$5.07	$4.96

6. Intangibles (Net of Amortization) and Goodwill

	Identifiable Intangibles March 31, 2013		December 31, 2012	
(in thousands)	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Amortizing intangible assets				
Formulas and technology	$91,526	$76,106	$91,662	$74,762
Contracts	9,593	7,079	9,593	6,734
Customer bases	7,006	2,509	7,021	2,400
Trademarks and trade names	1,560	492	1,586	426
Goodwill	4,879		5,002	
	$114,564	$86,186	$114,864	$84,322

All of the intangibles relate to the petroleum additives segment. The change in the gross carrying amount between 2012 and 2013 is due to foreign currency fluctuations. There is no accumulated goodwill impairment.

Amortization expense was (in millions):

Three months ended March 31, 2013	$1.9
Three months ended March 31, 2012	1.9

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Estimated amortization expense for the remainder of 2013, as well as annual amortization expense related to our intangible assets for the next five years is expected to be (in millions):

2013	$5.2
2014	6.2
2015	5.8
2016	1.9
2017	0.7
2018	0.7

Generally, we amortize the cost of the customer base intangibles by an accelerated method and the cost of the remaining intangible assets by the straight-line method over their estimated economic lives. We generally amortize contracts over 1.5 to 10 years; customer bases over 20 years; and formulas and technology over 5 to 20 years. Trademarks and trade names are amortized over 10 years.

7. Long-term Debt

(in thousands)	March 31, 2013	December 31, 2012
Senior notes - 4.10% due 2022	$349,422	$349,407
Revolving credit facility	76,000	75,000
Lines of credit	5,193	4,382
	430,615	428,789
Current maturities of long-term debt	(5,193)	(4,382)
	$425,422	$424,407

At March 31, 2013, we had outstanding senior notes in the aggregate principal amount of $350 million that bear interest at a fixed rate of 4.10% and are due in 2022 (4.10% senior notes). During March 2013, we registered these 4.10% senior notes under the Securities Act of 1933 and commenced an offer to exchange the previously unregistered 4.10% senior notes that were outstanding at December 31, 2012 for an equal aggregate principal amount.

The following table provides information related to the unused portion of our revolving credit facility in effect at March 31, 2013 and December 31, 2012:

(in millions)	March 31, 2013	December 31, 2012
Maximum borrowing capacity under the revolving credit facility	$650.0	$650.0
Outstanding borrowings under the revolving credit facility	76.0	75.0
Outstanding letters of credit	3.1	3.1
Unused portion of revolving credit facility	$570.9	$571.9

For further information on the outstanding letters of credit, see Note 8. The average interest rate for borrowings under our revolving credit facility was 2.16% during the first three months of 2013 and 1.84% during 2012.
We were in compliance with all covenants under our debt agreements at March 31, 2013 and at December 31, 2012.

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8. Contractual Commitments and Contingencies

Information on certain contractual commitments and contingencies follows.

Litigation

We are involved in legal proceedings that are incidental to our business and include administrative or judicial actions seeking remediation under environmental laws, such as Superfund. Some of these legal proceedings relate to environmental matters and involve governmental authorities. For further information, see “Environmental” below. While it is not possible to predict or determine with certainty the outcome of any legal proceeding, we believe the outcome of any of these proceedings, or all of them combined, will not result in a material adverse effect on our consolidated results of operation, financial condition, or cash flows.

As we previously disclosed, the United States Department of Justice has advised us that it is conducting a review of certain of our foreign business activities in relation to compliance with relevant U.S. economic sanctions programs and anti-corruption laws, as well as certain historical conduct in the domestic U.S. market, and has requested certain information in connection with such review. We are cooperating with the investigation. In connection with such cooperation, we have voluntarily agreed to provide certain information and are conducting an internal review for that purpose.

Environmental

In 2000, the Environmental Protection Agency (EPA) named us as a potentially responsible party (PRP) under Superfund law for the clean-up of soil and groundwater contamination at the five grouped disposal sites known as "Sauget Area 2 Sites" in Sauget, Illinois. Without admitting any fact, responsibility, fault, or liability in connection with this site, we are participating with other PRPs in site investigations and feasibility studies. The Sauget Area 2 Sites PRPs received notice of approval from the EPA of the Remedial Investigation report on February 27, 2009, notice of approval of the October 2009 Human Health Risk Assessment on December 17, 2009, and approval of the Feasibility Study (FS) report on April 3, 2013. We have accrued our estimated proportional share of the expenses for the FS, as well as our best estimate of our proportional share of the remediation liability proposed in our ongoing discussions and submissions with the agencies involved. We do not believe there is any additional information available as a basis for revision of the liability that we have established at March 31, 2013. The amount accrued for this site is not material.

The accruals for environmental remediation, dismantling, and decontamination at our most significant environmental remediation sites are shown below. At the former TEL plant site shown in the table below, we have completed significant environmental remediation, although we will be monitoring and treating the site for an extended period. The accruals below have been discounted to present value, and include an inflation factor in the estimate. The remaining environmental liabilities not shown separately below are not discounted.

	March 31, 2013			December 31, 2012		
(in millions)	Former TEL Plant Site, Louisiana	Houston, Texas Plant Site	Superfund Site, Louisiana	Former TEL Plant Site, Louisiana	Houston, Texas Plant Site	Superfund Site, Louisiana
Accrual, discounted	$5.5	$6.0	$3.2	$5.6	$6.1	$3.2
Accrual, undiscounted	6.8	9.1	4.4	6.9	9.3	4.4
Discount rate for accrual	3 %	3 %	3 %	3 %	3 %	3 %
Expected future payments:						
2013	$0.6	$0.7	$0.0			
2014	0.8	0.2	0.0			
2015	0.6	0.2	0.2			
2016	0.5	0.2	0.3			
2017	0.6	0.2	0.3			
Thereafter	3.7	7.6	3.6			

Of the total accrual at the Houston, Texas plant site, $5.8 million at both March 31, 2013 and December 31, 2012 relates to remediation. Of the total remediation, $5.6 million at both March 31, 2013 and December 31, 2012 relates to remediation of groundwater and soil.

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We accrue for environmental remediation and monitoring activities for which costs can be reasonably estimated and are probable. These estimates are based on an assessment of the site, available clean-up methods, and prior experience in handling remediation. While we believe we are currently fully accrued for known environmental issues, it is possible that unexpected future costs could have a significant impact on our financial position, results of operation, and cash flows.

Our total accruals for environmental remediation were approximately $19.5 million at March 31, 2013 and $19.7 million at December 31, 2012. In addition to the accruals for environmental remediation, we also have accruals for dismantling and decommissioning costs of $500 thousand at both March 31, 2013 and December 31, 2012.

Letters of Credit and Guarantees

We have agreements with several financial institutions that provide guarantees for certain business activities of our subsidiaries, including performance, insurance, credit, lease, and customs and excise guarantees. The parent company provides guarantees of the subsidiaries' performance under these agreements and also provides a guarantee for repayment of lines of credit for subsidiaries in China and India. Guarantees outstanding under all of these agreements at March 31, 2013 are $14 million. At March 31, 2013, $3.1 million of these guarantees are secured by letters of credit, all of which were issued under the $100 million letter of credit sub-facility of our revolving credit facility. See Note 7 for further information. The letters of credit relate to insurance and performance guarantees. The maximum potential amount of future payments under all other guarantees not secured by letters of credit at March 31, 2013 is $21 million. We have no liability accrued for these guarantees, however there is $5.2 million drawn on lines of credit in China and India, which is recorded in Long-term debt, current portion on the Consolidated Balance Sheets. See Note 7 for further information. We accrue for potential liabilities when a future payment is probable and the range of loss can be reasonably estimated.

Expiration dates of the letters of credit and certain guarantees range from 2013 to 2021. Some of the guarantees have no expiration date. We renew letters of credit as necessary.

9. Derivatives and Hedging Activities

We are exposed to certain risks arising from both our business operations and economic conditions. We primarily manage our exposures to a wide variety of business and operational risks through management of our core business activities.

We manage certain economic risks, including interest rate, liquidity, and credit risk primarily by managing the amount, sources, and duration of our debt funding, as well as through the use of derivative financial instruments. Specifically, we have entered into interest rate swaps to manage our exposure to interest rate movements.

Our foreign operations expose us to fluctuations of foreign exchange rates. These fluctuations may impact the value of our cash receipts and payments as compared to our reporting currency, the U.S. Dollar. To manage this exposure, we sometimes enter into foreign currency forward contracts to minimize currency exposure due to cash flows from foreign operations.

Cash Flow Hedge of Interest Rate Risk

In January 2010, we entered into an interest rate swap to manage our exposure to interest rate movements on the mortgage loan and to reduce variability in interest expense. This mortgage loan interest rate swap terminated with the payoff of the mortgage loan on May 1, 2012. Further information on the mortgage loan is in Note 12 of our 2012 Annual Report. We also had an interest rate swap to manage our exposure to interest rate movements on the Foundry Park I construction loan and to add stability to capitalized interest expense. The Foundry Park I construction loan interest rate swap matured on January 1, 2010. Both interest rate swaps were designated and qualified as cash flow hedges. As such, the effective portion of changes in the fair value of the swaps was recorded in accumulated other comprehensive loss and is subsequently being reclassified into earnings in the period that the hedged forecasted transaction affects earnings. Any ineffective portion of changes in the fair value of the swap was recognized immediately in earnings.

The accumulated unrealized loss, net of tax, related to the fair value of the mortgage loan interest rate swap is recorded in accumulated other comprehensive loss in shareholders’ equity on the Consolidated Balance Sheets and amounted to approximately $1.5 million at March 31, 2013 and $1.7 million at December 31, 2012. The amount remaining in accumulated other comprehensive loss related to the mortgage loan interest rate swap is being recognized in the Consolidated Statements of Income over the original term of the mortgage loan agreement through January 29, 2015. Also recorded as a component of accumulated other comprehensive loss in shareholders' equity on the Consolidated Balance Sheets is the accumulated loss related to the construction loan interest rate swap of approximately $2.5 million, net of tax, at both March 31, 2013 and December 31, 2012. The amount remaining in accumulated other comprehensive loss related to the construction loan interest rate swap is being recognized in the Consolidated Statements of Income over the depreciable life of the office building. Approximately $900 thousand, net of tax, currently recognized in accumulated other

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comprehensive loss related to both the construction loan interest rate swap and the mortgage loan interest rate swap is expected to be reclassified into earnings over the next twelve months.

Non-designated Hedges

On June 25, 2009, we entered into an interest rate swap with Goldman Sachs in the notional amount of $97 million and with a maturity date of January 19, 2022 (Goldman Sachs interest rate swap). NewMarket entered into the Goldman Sachs interest rate swap in connection with the termination of a loan application and related rate lock agreement between Foundry Park I and Principal Commercial Funding II, LLC (Principal). When the rate lock agreement was originally executed in 2007, Principal simultaneously entered into an interest rate swap with a third party to hedge Principal's exposure to fluctuation in the ten-year United States Treasury Bond rate. Upon the termination of the rate lock agreement on June 25, 2009, Goldman Sachs both assumed Principal's position with the third party and entered into an offsetting interest rate swap with NewMarket. Under the terms of this interest rate swap, NewMarket is making fixed rate payments at 5.3075% and Goldman Sachs makes variable rate payments based on three-month LIBOR. We have collateralized this exposure through cash deposits posted with Goldman Sachs amounting to $33.8 million at March 31, 2013 and $37.7 million at December 31, 2012.

We have made an accounting policy election to not offset derivative fair value amounts with the fair value amounts for the right to reclaim cash collateral under our master netting arrangement. We elected not to use hedge accounting for the Goldman Sachs interest rate swap, and therefore, immediately recognize any change in the fair value of this derivative financial instrument directly in earnings.

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The table below presents the fair value of our derivative financial instruments, as well as their classification on the Consolidated Balance Sheets as of March 31, 2013 and December 31, 2012.

	Asset Derivatives				Liability Derivatives			
	March 31, 2013		December 31, 2012		March 31, 2013		December 31, 2012	
(in thousands)	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Derivatives Not Designated as Hedging Instruments								
Goldman Sachs interest rate swap		$ 0		$ 0	Accrued expenses and Other noncurrent liabilities	$ 29,548	Accrued expenses and Other noncurrent liabilities	$ 32,761

The total fair value reflected in the table above includes amounts recorded in accrued expenses of approximately $0.9 million at March 31, 2013 and $2.3 million at December 31, 2012 for the Goldman Sachs interest rate swap.

The tables below present the effect of our derivative financial instruments on the Consolidated Statements of Income.

Effect of Derivative Instruments on the Consolidated Statements of Income

Designated Cash Flow Hedges

(in thousands)

Derivatives in Cash Flow Hedging Relationship	Amount of Gain (Loss) Recognized in OCI on Derivative (Effective Portion)	Location of Gain (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)	Amount of Gain (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)	Location of Gain (Loss) Recognized in Income on Derivative (Ineffective Portion and	Amount of Gain (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness

						Amount Excluded from Effectiveness Testing)	Testing)	
	Three Months Ended March 31,			Three Months Ended March 31,			Three Months Ended March 31,	
	2013	2012		2013	2012		2013	2012
Mortgage loan interest rate swap	$ 0	$ (228)	Interest and financing expenses	$ (327)	$ (378)		$ 0	$ 0
Construction loan interest rate swap	$ 0	$ 0	Cost of rental	$ (21)	$ (21)		$ 0	$ 0

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Effect of Derivative Instruments on the Consolidated Statements of Income
Non-Designated Derivatives
(in thousands)

Derivatives Not Designated as Hedging Instruments	Location of Gain (Loss) Recognized in Income on Derivatives	Amount of Gain (Loss) Recognized in Income on Derivatives Three Months Ended March 31,	
		2013	2012
Goldman Sachs interest rate swap	Other income, net	$678	$1,735

Credit-risk Related Contingent Features
The agreement we have with our current derivative counterparty contains a provision where we could be declared in default on our derivative obligation if repayment of indebtedness is accelerated by our lender(s) due to our default on the indebtedness.
As of March 31, 2013, the fair value of the derivative in a net liability position related to this agreement, which includes accrued interest but excludes any adjustment for nonperformance risk, was $29.4 million. We have minimum collateral posting thresholds with the counterparty and have posted cash collateral of $33.8 million as of March 31, 2013. If required, we could have settled our obligations under the agreement at the termination value of $29.4 million at March 31, 2013.

10. Other Comprehensive Income (Loss) and Accumulated Other Comprehensive Loss
The balances of, and changes in, the components of accumulated other comprehensive loss, net of tax, consist of the following:

(in thousands)	Pension Plans and Other Postretirement Benefits	Derivative Instruments	Foreign Currency Translation Adjustments	Marketable Securities	Accumulated Other Comprehensive Income (Loss)
Balance at December 31, 2011	$(76,416)	$(4,736)	$(17,944)	$364	$(98,732)
Other comprehensive income (loss) before reclassifications	(24,291)	(330)	7,567	676	(16,378)
Amounts reclassified from accumulated other comprehensive loss	4,568	893	0	(1,040)	4,421
Other comprehensive income (loss)	(19,723)	563	7,567	(364)	(11,957)
Balance at December 31, 2012	(96,139)	(4,173)	(10,377)	0	(110,689)
Other comprehensive income (loss) before reclassifications	0	0	(18,280)	0	(18,280)
Amounts reclassified from accumulated other comprehensive loss	1,375	213	0	0	1,588
Other comprehensive income (loss)	1,375	213	(18,280)	0	(16,692)
Balance at March 31, 2013	$(94,764)	$(3,960)	$(28,657)	$0	$(127,381)

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The following table illustrates the amounts, net of tax, reclassified out of each component of accumulated other comprehensive loss and their location within the respective line items on the Consolidated Statements of Income.

(in thousands) Accumulated Other Comprehensive Loss Component	Amount Reclassified from Accumulated Other Comprehensive Loss Three Months Ended March 31, 2013	2012	Affected Line Item on the Consolidated Statements of Income
Pension plans and other postretirement benefits:			
Amortization of prior service cost	$2	$5	(a)
Amortization of actuarial net loss	1,363	1,031	(a)
Amortization of transition obligation	10	10	(a)
Total pension plans and other postretirement benefits	1,375	1,046	
Derivative instruments:			
Amortization of mortgage loan interest rate swap	200	231	Interest and financing expenses, net
Amortization of construction loan interest rate swap	13	13	Cost of rental
Total derivative instruments	213	244	
Total reclassifications for the period	$1,588	$1,290	

(a) These components of accumulated other comprehensive loss are included in the computation of net periodic benefit cost. See Note 4 in this Form 10-Q and Note 19 in our 2012 Annual Report for further information.

11. Fair Value Measurements

The following table provides information on assets and liabilities measured at fair value on a recurring basis. No events occurred during the three months ended March 31, 2013 requiring adjustment to the recognized balances of assets or liabilities which are recorded at fair value on a nonrecurring basis.

(in thousands)	Carrying Amount in Consolidated Balance Sheets	Fair Value	Fair Value Measurements Using Level 1	Level 2	Level 3
	March 31, 2013				
Cash and cash equivalents	$64,013	$64,013	$64,013	$0	$0
Cash deposit for collateralized interest rate swap	33,827	33,827	33,827	0	0
Interest rate swap liability	29,548	29,548	0	29,548	0
	December 31, 2012				
Cash and cash equivalents	$89,129	$89,129	$89,129	$0	$0
Cash deposit for collateralized interest rate swap	37,694	37,694	37,694	0	0
Interest rate swap liability	32,761	32,761	0	32,761	0

We determine the fair value of the derivative instruments shown in the table above by using widely-accepted valuation techniques, including discounted cash flow analysis on the expected cash flows of each instrument. The analysis reflects the contractual terms of the derivatives, including the period to maturity, and uses observable market-based inputs.

The fair value of the interest rate swap is determined using the market standard methodology of netting the discounted future fixed cash receipts and the discounted expected variable cash payments. The variable cash payments are based on an expectation of future interest rates derived from observable market interest rate curves. In determining the fair value measurements, we incorporate credit valuation adjustments to appropriately reflect both our nonperformance risk and the counterparties' nonperformance risk.

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Although we have determined that the majority of the inputs used to value our derivatives fall within Level 2 of the fair value hierarchy, the credit valuation adjustment associated with the derivatives utilizes Level 3 inputs. These Level 3 inputs include estimates of current credit spreads to evaluate the likelihood of default by both us and the counterparties to the derivatives. As of March 31, 2013 and December 31, 2012, we have assessed the significance of the impact of the credit valuation adjustment on the overall valuation of our derivatives and have determined that the credit valuation adjustment is not significant to the overall valuation of the derivatives. Accordingly, we have determined that our derivative valuations should be classified in Level 2 of the fair value hierarchy.

We have made an accounting policy election to measure credit risk of any derivative financial instruments subject to master netting agreements on a net basis by counterparty portfolio.

Long-term debt – We record the value of our long-term debt at historical cost. The estimated fair value of our long-term debt is shown in the table below and is based primarily on estimated current rates available to us for debt of the same remaining duration and adjusted for nonperformance risk and credit risk. The estimated fair value is determined by the market standard practice of modeling the contractual cash flows required under the debt instrument and discounting the cash flows back to present value at the appropriate credit-risk adjusted market interest rates. For floating rate debt obligations, we use forward rates, derived from observable market yield curves, to project the expected cash flows we will be required to make under the debt instrument. We then discount those cash flows back to present value at the appropriate credit-risk adjusted market interest rates. The fair value is categorized as Level 2.

	March 31, 2013		December 31, 2012	
(in thousands)	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long-term debt, including current maturities	$430,615	$442,150	$428,789	$436,777

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12. Consolidating Financial Information

The 4.10% senior notes are guaranteed on a senior unsecured basis by our existing and future domestic subsidiaries that guarantee our obligations under our revolving credit facility and any of our other indebtedness (Guarantor Subsidiaries). The subsidiary guarantees are joint and several obligations of the Guarantor Subsidiaries. The indenture governing the 4.10% senior notes includes a provision which allows for a Guarantor Subsidiary to be released of its obligations under the subsidiary guarantee under certain conditions. Those conditions include the sale or other disposition of all or substantially all of the Guarantor Subsidiary's assets in compliance with the indenture and the release or discharge of a Guarantor Subsidiary from its obligations as a guarantor under our revolving credit facility and all of our other indebtedness. The Guarantor Subsidiaries and the subsidiaries that do not guarantee the 4.10% senior notes (the Non-Guarantor Subsidiaries) are 100% owned by NewMarket Corporation (the Parent Company). The Guarantor Subsidiaries consist of the following:

Ethyl Corporation
Ethyl Asia Pacific LLC
Ethyl Canada Holdings, Inc.
Ethyl Export Corporation
Ethyl Interamerica Corporation
Ethyl Ventures, Inc.
Interamerica Terminals Corporation
Afton Chemical Intangibles LLC
NewMarket Investment Company
Foundry Park I, LLC
Gamble's Hill, LLC
Gamble's Hill Landing, LLC
Gamble's Hill Tredegar, LLC
Afton Chemical Corporation
Afton Chemical Asia Pacific LLC
Afton Chemical Canada Holdings, Inc.
Afton Chemical Japan Holdings, Inc.
Afton Chemical Additives Corporation
NewMarket Services Corporation
The Edwin Cooper Corporation
Old Town LLC
NewMarket Development Corporation
Foundry Park II, LLC
Gamble's Hill Lab, LLC
Gamble's Hill Third Street, LLC

We conduct all of our business through and derive essentially all of our income from our subsidiaries. Therefore, our ability to make payments on the 4.10% senior notes or other obligations is dependent on the earnings and the distribution of funds from our subsidiaries.

The following sets forth the Consolidating Statements of Income and Comprehensive Income for the three months ended March 31, 2013 and March 31, 2012; Consolidating Balance Sheets as of March 31, 2013 and December 31, 2012; and Condensed Consolidating Statements of Cash Flows for the three months ended March 31, 2013 and March 31, 2012 for the Parent Company, the Guarantor Subsidiaries, and the Non-Guarantor Subsidiaries. The financial information is based on our understanding of the SEC's interpretation and application of Rule 3-10 of the SEC Regulation S-X.

The financial information may not necessarily be indicative of results of operation or financial position had the Guarantor Subsidiaries or Non-Guarantor Subsidiaries operated as independent entities. The Parent Company accounts for investments in these subsidiaries using the equity method.

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NewMarket Corporation and Subsidiaries
Consolidating Statements of Income and Comprehensive Income
Three Months Ended March 31, 2013

(in thousands)